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Sales of new U.S. homes plunged in March

Sharp 8.5 percent decline; slowest sales pace since October 1991

BREAKING NEWS

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WASHINGTON - Sales of new homes plunged in March to the lowest level in 16½ years as housing slumped further at the start of the spring sales season. The median price of a new home in March compared to a year ago fell by the largest amount in nearly four decades.

The Commerce Department reported Thursday that sales of new homes dropped by 8.5 percent last month to a seasonally adjusted annual rate of 526,000 units, the slowest sales pace since October 1991.

The median price of a home sold in March dropped by 13.3 percent compared to March 2007, the biggest year-over-year price decline since a 14.6 percent plunge in July 1970.

The dismal news on new home sales followed earlier reports showing that sales of existing homes fell by 2 percent in March. Housing, which boomed for five years, has been in a prolonged slump for the past two years with sales and home prices falling at especially sharp rates in formerly boom areas of the country.

For March, sales were down in all regions of the country, dropping the most in the Northeast, a decline of 19.4 percent. Sales fell by 12.9 percent in the Midwest, 12.5 percent in the Midwest and 4.6 percent in the South.

In other economic news, orders to factories for big-ticket manufactured goods fell for a third straight month in March, the longest string of declines since the 2001 recession, while applications for unemployment benefits fell by 33,000 to 342,000.

The Commerce Department said that demand for durable goods dropped by 0.3 percent last month, a worse-than-expected performance that underscored the problems manufacturers are facing from a severe economic slowdown. The last time orders fell for three consecutive months was from February to April of 2001, when the country was sliding into the last recession.

The weakness in manufacturing orders was led by a 4.6 percent drop in orders for autos, a sector that has been hard hit by soaring gasoline prices and the weakening economy, which have cut sharply into car sales. Orders in the category that includes home appliances fell by 6.6 percent. This industry has been hurt by the two-year slump in home sales.

President Bush on Tuesday said the economy was not in a recession but a period of slower growth. However, economists who believe the country has fallen into a recession pointed to the string of declines in manufacturing orders to support their view.

“The broad swath of data in the March (orders) report is indicative of a mixed set of conditions in a factory sector that is, overall, in a mild recession,” said Cliff Waldman, economist for the Manufacturers Alliance/MAPI.

The Labor Department reported that claims for unemployment benefits fell by 33,000 last week to 342,000. Economists had been expecting that claims would rise by 3,000. The four-week moving average for claims fell by 7,250 to 369,500.

Even with the improvements, analysts said the weak economy is still putting greater pressures on the labor market. The unemployment rate climbed to 5.1 percent in March as businesses laid off the largest number of workers in five years.

Economic growth slowed to a near-standstill at the end of last year as the economy was battered by the prolonged slump in housing and a severe credit crunch that has resulted in billions of dollars of losses at many of the nation’s largest financial institutions and has made it harder for consumers and businesses to get loans.

Consumer sentiment has plunged to recessionary lows as Americans have also watched gasoline soar to an average price above \$3.50 per gallon nationally.

The 0.3 percent drop in orders for durable goods, items expected to last at least three years, followed even bigger declines of 0.9 percent in February and 4.4 percent in January.

Orders for all transportation products fell by 4.6 percent, reflecting the big drop in demand for autos. Orders for commercial aircraft actually rose by 5.5 percent while demand for defense aircraft surged by 29.4 percent. Many defense industries have seen big increases reflecting the wars in Iraq and Afghanistan.

A key category that is viewed as a proxy for business investment plans showed no increase in March after a big 2 percent drop in February. Businesses have cut back on their plans to expand and modernize as the economy has softened.